

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES**

May 6, 2021
10:03 a.m.

MEMBERS PRESENT

Representative Geran Tarr, Chair
Representative Louise Stutes, Vice Chair
Representative Jonathan Kreiss-Tomkins
Representative Andi Story
Representative Sarah Vance

MEMBERS ABSENT

Representative Dan Ortiz
Representative Kevin McCabe

COMMITTEE CALENDAR

HOUSE BILL NO. 52

"An Act providing that operation of the Tutka Bay Lagoon Hatchery in Kachemak Bay is compatible with the functions of Kachemak Bay State Park; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 188

"An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 52

SHORT TITLE: TUTKA BAY HATCHERY

SPONSOR(s): REPRESENTATIVE(s) VANCE

| | | |
|----------|-----|---------------------------------|
| 02/18/21 | (H) | PREFILE RELEASED 1/8/21 |
| 02/18/21 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/18/21 | (H) | FSH, RES |
| 04/29/21 | (H) | FSH AT 10:00 AM GRUENBERG 120 |
| 04/29/21 | (H) | Heard & Held |
| 04/29/21 | (H) | MINUTE(FSH) |
| 05/06/21 | (H) | FSH AT 10:00 AM GRUENBERG 120 |

BILL: HB 188

SHORT TITLE: SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

SPONSOR(S): REPRESENTATIVE(S) STUTES

| | | |
|----------|-----|---------------------------------|
| 04/26/21 | (H) | READ THE FIRST TIME - REFERRALS |
| 04/26/21 | (H) | FSH, FIN |
| 05/06/21 | (H) | FSH AT 10:00 AM GRUENBERG 120 |

WITNESS REGISTER

JEFFREY LEE, Member
Kachemak Bay Advisory Board
Seldovia, Alaska

POSITION STATEMENT: Testified in opposition to HB 52.

ROBERTA HIGHLAND
Homer, Alaska

POSITION STATEMENT: Testified in opposition to HB 52.

BRENT JOHNSON, Past-President
Cook Inlet Aquaculture Association
Clam Gulch, Alaska

POSITION STATEMENT: Testified during the hearing on HB 52.

SARA PERMAN, Staff
Representative Louise Stutes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 188 on behalf of Representative Stutes, prime sponsor.

CHRIS BARROWS, President
Pacific Seafood Processors Association
Seattle, Washington

POSITION STATEMENT: Provided invited testimony during the hearing on HB 188.

MARK PALMER, President/CEO
OBI Seafoods
Seattle, Washington

POSITION STATEMENT: Provided invited testimony in support of HB 188.

JEREMY WOODROW
Alaska Seafood Marketing Institute
Juneau, Alaska

POSITION STATEMENT: Provided invited testified in support of HB 188.

ACTION NARRATIVE

[10:03:55 AM](#)

CHAIR GERAN TARR called the House Special Committee on Fisheries meeting to order at 10:03 a.m. Representatives Story, Vance, Stutes, and Tarr were present at the call to order. Representative Kreiss-Tomkins arrived as the meeting was in progress.

HB 52-TUTKA BAY HATCHERY

[10:04:36 AM](#)

CHAIR TARR announced that the first order of business would be HOUSE BILL NO. 52, "An Act providing that operation of the Tutka Bay Lagoon Hatchery in Kachemak Bay is compatible with the functions of Kachemak Bay State Park; and providing for an effective date." [Before the committee, adopted as a working document on 4/29/21, was the proposed committee substitute (CS) for HB 52, Version 32-LS0327\I, Bullard, 4/29/21 ("Version I").]

CHAIR TARR announced that the committee would hear public testimony on HB 52, which had been opened on 4/29/21.

[10:05:03 AM](#)

JEFFREY LEE, Member, Kachemak Bay Advisory Board, said the Tutka Bay Lagoon Hatchery in Kachemak Bay has been highly controversial. The current plan has undergone extensive public review; it happens every 25-30 years and is a two-year process. He indicated that [current review] has been going on for six years and has led to the conclusion that phasing out the hatchery is a good choice. He warned against degrading the public process and urged the committee to take no action on HB 52 until the advisory board can review the proposed legislation.

[10:07:20 AM](#)

ROBERTA HIGHLAND testified in opposition to HB 52. She said the process has been rushed. She mentioned a management plan with a ten-year timeframe. She said the proposed legislation "could set a precedence for other parks where there's a conflict of the uses." She spoke of negative environmental impacts. She

indicated there was an increase in pink salmon in the hatchery, which has led to problems, such as "dumping of the carcasses," and that has led to a lawsuit. Further, placing pens in the bay itself would increase boat traffic into "the heart of the park." She requested the issue be given time, especially in terms of land swapping, which has not had public review. She asked the committee not to pass HB 52.

[10:09:51 AM](#)

BRENT JOHNSON, Past-President, Cook Inlet Aquaculture Association, said all the hatcheries work together to fund the Cook Inlet Aquaculture Association to release fish that are important to those who fish. He said he favors studies, and he does not think there have been studies that prove that hatcheries are detrimental to the environment. He said he is eager for those studies to take place. He opined that the Tutka Bay Lagoon Hatchery is important to the Homer economy and Cook Inlet seiners.

[10:10:52 AM](#)

CHAIR TARR, after ascertaining there was no one else who wished to testify, closed public testimony on HB 52.

[10:11:24 AM](#)

REPRESENTATIVE VANCE, as prime sponsor, noted wide-range support from the Kenai Peninsula to Kodiak. She stated her intent to include further discussion related to the idea of the land swap, which was introduced last week. She spoke of separating "the hatchery issue" and "the land issue."

[10:12:16 AM](#)

CHAIR TARR announced that HB 52 was held over.

HB 188-SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

[10:12:39 AM](#)

CHAIR TARR announced that the final order of business would be HOUSE BILL NO. 188, "An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

10:13:05 AM

SARA PERMAN, Staff, Representative Louise Stutes, Alaska State Legislature, presented HB 188 on behalf of Representative Stutes, prime sponsor. She said the proposed legislation would extend the sunset date for a tax credit applied to seafood processors to December 31, 2025, and extend the seafood tax credit on salmon and herring to also include cod and pollock. This credit allows processors who have invested in updating their equipment to process more byproduct - thus getting more value out of the fish - to receive up to 50 percent back for that investment. Finding additional uses for each fish, such as for bone meal or fish oil supplements, adds to the value of the fish. Extending the credit to pollock and cod is valuable, because they make up about 60 percent of Alaska's fish harvest.

10:15:34 AM

CHAIR TARR announced the committee would next hear invited testimony.

10:15:56 AM

CHRIS BARROWS, President, Pacific Seafood Processors Association, noted written testimony had been submitted. He said the Pacific Seafood Processors Association (PSPA) is a nonprofit trade association founded in 1914 that comprised eight major seafood processing companies around the state. Members operate 25 facilities in 15 communities, including 3 floating processors. He said the bill's proposed inclusion of pollock and cod is important because it would create the opportunity to obtain more value from high volume species over the long term. He pointed out that more value added to fishers and processors means more value to local governments and the state through taxes based on the value of fish. He said HB 188 also incentivizes greater use of each fish, which would allow processors to invest more in product development and marketing for ancillary products. He emphasized the importance of diversity in returning value to the state. Mr. Barrows talked about an attachment to the letter in the committee packet that includes a summary of conclusions and description of net gains. He said analysis indicates that this program has directly contributed to the generation of an additional \$114.4 million to the state's general fund.

10:21:13 AM

MARK PALMER, President/CEO, OBI Seafoods, said OBI Seafoods [name derived from the merging of Ocean Beauty Seafoods and Icicle Seafoods] has 10 processing plants in Alaska. He stated that OBI Seafoods supports HB 188; [the tax credit] works. He highlighted the need to use every bit of protein from each fish, because the harvest count can change notably from year to year. He spoke about the U.S. market being the biggest in terms of Alaska seafood, and pointed out the benefit of sending product to the Lower 48 rather than internationally where other countries create the jobs and the value-added product. He said this [tax credit] has a proven track record for over 15 years; co-investment adds jobs in Alaska and investment to run sophisticated equipment. Further, he related that those jobs are "higher paying than the typical production working jobs in our factories."

[10:24:03 AM](#)

JEREMY WOODROW, Alaska Seafood Marketing Institute, stated that the Alaska Seafood Marketing institute (ASMI) supports all efforts to increase the value of Alaska's fisheries, and HB 188 will provide the industry the incentive and support needed to continue investing in processing facilities and creating more value in seafood. Mr. Woodrow reported that Alaska's commercial fisheries harvest, on average, 5.5 billion pounds of seafood annually. After processing approximately 2.6 billion pounds sold to markets worldwide, there are 3 billion pounds of potential product that would increase the value of the state's seafood resources. He gave examples of products made with fish byproducts and mentioned other areas in which additional growth is forecasted. Byproducts used include fish skin and heads and crab shells. Mr. Woodrow cited a McDowell Group report which states that Alaska's major shoreside seafood processors invest over \$100 million annually in capital expenditures. He said expanding value makes it possible for companies to expand seafood plants, expand production lines, and pay higher fish prices, all of which benefit local communities. He said market research shows that consumers want high-quality convenience products, and this trend provides the opportunity for the industry to create "new, innovative, and value-added seafood products" and "match consumer demands," and HB 188 would support this goal.

[10:26:37 AM](#)

REPRESENTATIVE KREISS-TOMKINS remarked that the addition of cod and pollock would be a massive change to the program and would

more than double the cost to the state; therefore he said he wants to be sure "we give that due diligence." He remarked that pollock is primarily processed at sea, but then amended that to express that pollock has a different "value chain to the state." He observed that the taxes collected on pollock are a fraction of that brought in from salmon. He asked if someone could speak to what kind of equipment would likely qualify for the tax credit, and what kind of onshore and offshore facilities would be captured by the proposed legislation.

10:28:05 AM

MR. BARROWS responded that he was not sure the assumption that pollock was primarily processed at sea was accurate, and he said he would like to look into that and provide an answer. He noted that there is "a lot of shoreside production for pollock."

10:28:53 AM

REPRESENTATIVE KREISS-TOMKINS, regarding the assumption, noted that he had "walked that back." Nevertheless, suggested the answer should be available for consideration as to what percentage of pollock is processed offshore versus on land, and he flagged that as "relevant information."

10:29:23 AM

MR. PALMER shared that OBI Seafoods' Kodiak facility only heads and guts pollock; it does not produce surimi, for example, which would be "a much higher value-use product." Its headed and gutted (H&G) pollock is exported to foreign markets. He stated, "That would be, I guess, one example of how it could potentially be utilized and benefit a shore plant, create a higher-value product, and also probably focus on a domestic market."

10:30:07 AM

CHAIR TARR opened public testimony on HB 188. After ascertaining that there was no one who wished to testify, she closed public testimony.

10:30:14 AM

CHAIR TARR said she was considering an amendment deadline of Monday but did not want to rush the process.

REPRESENTATIVE KREISS-TOMKINS proffered that he would desire a lot more information regarding HB 188.

[10:30:29 AM](#)

CHAIR TARR announced that HB 188 was held over.

[10:30:42 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at [10:31] a.m.